

Tobacco  
Institute



Virginia  
Edition



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## Virginia Tobacco

### Measure for Measure, a Golden Crop!

Virginia tobacco is known and enjoyed throughout the world. But what has not been known before is the extent of the contribution of all of America's golden leaf to the Old Dominion nor, in turn, of Virginia's own golden leaf to America.

Although the tobacco industry is America's oldest, dating from John Rolfe's first export crop from Jamestown in 1613, no survey of its direct and indirect contributions to the economy had been made until the Wharton Applied Research Center of the University of Pennsylvania began a preliminary study in 1978.

Now Wharton has extended its research to determine not only the economic effects of tobacco nationally in 1979 but its contributions to the 95 counties and 34 independent cities of Virginia.

The Wharton researchers surveyed the jobs, incomes and taxes in the five core sectors of the industry: farming, auction warehousing, manufacturing, distribution and sales. Then they computed the



## America's Golden Leaf

multiplier, or ripple, effects of all these industry activities and those of essential suppliers and tracked them back through state, county and, for the Commonwealth's eight largest cities, the municipal levels. Data for the other independent cities were considered with county data.

All told, America's golden leaf gave in 1979 to all 50 states:

- 2 million jobs of all kinds
- \$30 billion in wages and earnings
- \$15.5 billion in capital investment
- \$22 billion in taxes
- \$58 billion, or 2.4 percent, to America's Gross National Product

In short, of every dollar's worth of goods and services rendered to and by Americans in 1979, roughly two and a half pennies were generated by tobacco.

More than one of every 20 jobs in Virginia exists because of tobacco. The industry itself accounts for about a third of these. The rest are created in nontobacco sectors by the spillover effects of the industry and the companies that supply it.

Virginia's 29,090 tobacco industry jobs, from field hand to corner grocer who stocks everyone's favorite brand, put the Old Dominion third among all states in employment generated directly by tobacco.

Wharton estimates close to 2,000 jobs in Virginia industries which support cigarette manufacture: the flavoring expert, the utility engineer, the advertising or insurance salesman. The Old Dominion ranks sixth in supplier industry employment. These jobs funnel 31.5 million in paycheck dollars into the economies of nine Virginia counties and independent cities.

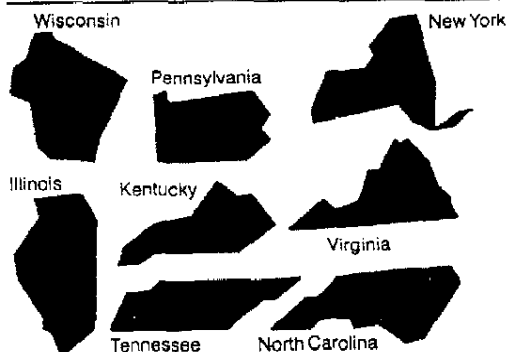
All the tobacco industry and support jobs, plus the 59,700 others

**Giving  
Virginians  
90,730 Jobs...**

Included in Wharton Applied Research Center's new economic study of tobacco's direct and indirect contributions to the U.S. are separate evaluations for nine selected states and all their counties. Summaries of these individual studies will be included in this series, America's Golden Leaf, and will be available from The Tobacco Institute. The detailed study states are:



California



that Wharton estimates exist because these employees and their companies buy goods and services from still other companies, make Virginia seventh among all states in jobs generated by the golden leaf. Together, they represent 5.4 percent of total Commonwealth employment. More than 3.6 percent of employment generated nationally by tobacco's ripple effects is concentrated in Virginia.

Most of the Commonwealth's tobacco jobs are in manufacturing and farming. But the importance of the golden leaf's contribution can be demonstrated in counties and independent cities in which tobacco is neither grown nor processed nor made into smoking and chewing products and snuff.

For example, in the quiet southwest foothill county of Pulaski, home of Radford University, Wharton counted 805 of Virginia's 90,700 tobacco-related jobs. But those jobs — 105 in tobacco

wholesaling and retailing, 700 more credited to the spillover effects of all leaf activities — constitute 5 percent of all Pulaski employment.

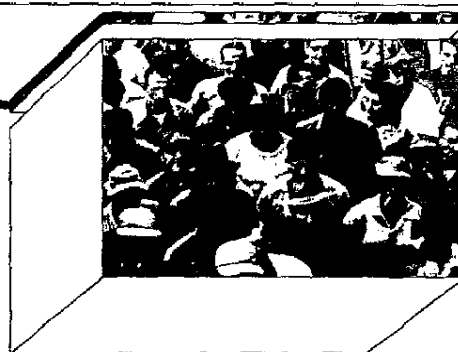
Although more tobacco and tobacco products are shipped from Norfolk than from any other U.S. port, the only tobacco industry jobs counted by Wharton were in wholesaling and retailing, plus an estimated 20 employees who commute to manufacturing or processing plants in neighboring cities and counties. Yet the 4,148 jobs related directly and indirectly to tobacco in Norfolk, including those in shipping, represent one of every 20 jobs of all kinds in the port city.

The relative significance of tobacco-generated jobs in other parts of Virginia is shown in Table 2.

#### **Tobacco's Contribution to Virginia Employment**

**5.4%**

The income flows generated by the popularity of the golden leaf create jobs too, in sales and service industries of all kinds, from utilities to automakers to advertising



### ...in the plant

More than half the Virginians handling tobacco and tobacco products — 55 percent, or 15,870 — work in processing and manufacturing. And 90 percent of these work and live in the six counties surrounding Richmond and Petersburg. In fact, commuting patterns considered by Wharton suggest that roughly 9,000 tobacco workers live in the capital city, constituting almost 9 percent of all job holders there (see Table 3).

The 2,780 manufacturing and processing employees who live in Prince George County and the cities of Petersburg, Hopewell and Colonial Heights comprise 8 percent of that area's work force.

Commuter patterns indicate that about 1,300 more workers from the seven facilities in Richmond and the Petersburg area live — and pay taxes — in Henrico, Hanover, New Kent and Powhatan counties. The 260 attributed to Powhatan comprise more than 10 percent of all that county's jobholders. Another 1,300 live in nearby Chesterfield or work at a processing plant there.

Tobacco farming, too, had a strong effect on employment in Virginia, its independent cities and counties. The Commonwealth, which was second only to North Carolina in tobacco manufacturing employment, ranked fourth in full-time-equivalent tobacco farming jobs.

### ...on the farm

Wharton estimates that cultivating 67,240 acres of leaf on 15,890 farms in 1979 entailed the equivalent of 7,760 year-round jobs. At the peak of harvest season, there were 43,600 hands in the fields. Seventy-six percent of the year-round jobs were in 10 south-central and southwest counties.

The study estimates 50 Old Dominion counties grow the golden leaf. It finds, for instance, that the 1,236 tobacco farm jobs estimated in Halifax represent almost one in every 10 jobs of all kinds in that southern tier county as well as more than a seventh of all Virginia tobacco farm employment.

Tobacco auction warehouse jobs are concentrated in a dozen counties and cities, close, not surprisingly, to the denser tobacco farm areas. With the equivalent of 170 full-time jobs in 1979, employment reaches more than a thousand during the busy fall and winter selling season.

Intermediate distribution, including wholesalers and manufacturers' sales forces, and retailing and vending exist in every county. Between factory and consumer, finished tobacco products provide Virginians with 5,300 more jobs.

All told, America's golden leaf gave the Old Dominion 90,730 jobs in 1979 — 5.4 percent of all state employment, or one in every 18 jobs.

## America's Golden Leaf

**Table 1:  
Tobacco's  
Total Contri-  
bution to  
Virginia's  
Economy  
in 1979**

	<b>Jobs<sup>1</sup></b>	<b>Wages<sup>2</sup></b>	<b>Sales</b>
Farming	7,760	\$ 43,924,000	\$ 158,200,000
Auction warehousing	170	2,017,000	198,300,000
Manufacturing	15,870	259,830,000	3,439,500,000
Intermediate distribution	2,320	29,057,000	372,200,000
Retailing/vending	2,970	30,054,000	568,000,000
Support industries	1,940	31,521,000	—
Indirect contribution	59,700	796,834,000	—
<b>TOTAL</b>	<b>90,730</b>	<b>\$1,193,237,000</b>	

<sup>1</sup>Full-time-equivalent jobs, calculated relative to the national average work week in each sector as provided by the Wharton econometric model

<sup>2</sup>Includes all company-paid benefits exclusive of taxes

<sup>3</sup>Includes the independent city of South Boston

**Table 2:  
Tobacco-  
Generated  
Employment  
in Virginia  
Counties and  
Independent  
Cities as  
Percent  
of Total  
Employment,  
1979**

<b>Direct Employment</b>		<b>Direct and Indirect Employment</b>	
<b>County/City</b>	<b>Percent</b>	<b>County/City</b>	<b>Percent</b>
Powhatan	11.2	Richmond City	16.9
Lunenburg	10.3	Powhatan	14.3
Halifax <sup>3</sup>	10.3	Prince George <sup>4</sup>	13.5
Charlotte	9.1	Halifax <sup>3</sup>	12.4
Richmond City	9.1	Lunenburg	12.4
Prince George <sup>4</sup>	8.4	Charlotte	10.6
Brunswick	7.8	Mecklenburg	10.3
Mecklenburg	7.6	Buchanan	9.4
Lee	6.9	Brunswick	9.3
Scott	6.3	Lee	6.9

<sup>4</sup>Includes the independent cities of Petersburg, Colonial Heights and Hopewell

<sup>5</sup>Includes the independent city of Danville

<sup>6</sup>Includes the independent city of Martinsville

**Table 3:  
Virginia  
Counties and  
Independent  
Cities  
With Highest  
Tobacco Core  
Sector  
Employment  
as Percent  
of Total Local  
Employment,  
by Sector, 1979**

<b>Farming</b>			<b>Manufacturing</b>		
	<b>Jobs<sup>1</sup></b>	<b>Percent</b>		<b>Jobs<sup>1</sup></b>	<b>Percent</b>
Halifax <sup>3</sup>	1,236	9.8	Powhatan	260	10.6
Lunenburg	359	9.1	Richmond City	8,935	8.7
Charlotte	358	8.8	Prince George <sup>4</sup>	2,777	8.1
Brunswick	434	7.6	New Kent	110	5.6
Mecklenburg	756	6.9	Chestertfield	1,370	4.4
Lee	314	6.2	Hanover	500	3.3
Scott	354	4.9	Pittsylvania <sup>5</sup>	684	1.6
Amelia	104	3.8	Lunenburg	37	0.9
Pittsylvania <sup>5</sup>	1,419	3.4	Buchanan	74	0.9
Dinwiddie	239	3.1	Henry <sup>6</sup>	189	0.6

**Table 4:  
Tobacco's  
Direct  
Contributions  
to State and  
Federal Taxes  
in Virginia  
in 1979**

<b>State Taxes</b>		<b>Federal Taxes</b>	
Excise	\$17,542,000	Excise	\$62,724,000
Sales	13,029,000	FICA	48,072,000
Personal Income	8,051,000	Personal Income	43,470,000
Corporate Income	22,969,000	Corporate Income	28,723,000
<b>TOTAL</b>	<b>\$61,591,000</b>	<b>TOTAL</b>	<b>\$182,989,000</b>

Total direct contribution to local tax revenues was \$25,121,000.

## America's Golden Leaf

### **Paying Bills for Virginians...**

The 90,000-plus Virginians who benefit directly and indirectly from the golden leaf earned \$1.2 billion in 1979. Their paychecks and the goods and services paid for by their employers boost all parts of the Commonwealth's economy, bringing dollars to the local hardware store and orthodontist, the paper manufacturer, even the United Fund campaign and the man who fixes the washing machine.

Directly and indirectly, tobacco generates 5.3 percent of all wage and earnings dollars in the Old Dominion, or more than \$1 of every \$20 paid in the state.

The concept of full-time-equivalent jobs, as enumerated in this booklet, understates the number of persons who work with tobacco. Farming, auctioning and leaf processing, seasonal in nature, require many part-time employees, and many individuals in distributing and retailing are involved also with products other than tobacco.

## America's Golden Leaf

### **Paying a Quarter Billion in Taxes in Virginia...**

Tobacco is more heavily taxed than any other consumer product, starting with the more than \$6 billion in excises pumped annually into federal, state and local coffers to help pay for everything from road building to school lunch programs. The U.S. Treasury receives 8 cents and the states 2 to 21 cents in taxes for every pack of cigarettes sold. At least 365 municipalities throughout the U.S. — including many in Virginia — add taxes of their own, ranging from 1 to 10 cents a pack.

The companies and employees directly related to tobacco's core sectors pay income taxes, and,



among others, taxes on gasoline and airline tickets and for social security. The total of all these federal, state and local taxes in 1979 in Virginia was \$269 million. Because one or more of tobacco's sectors operates in every Old Dominion county, the effects of the taxes they generate, whether returned by the federal government for local job training or allocated for traffic lights, is felt throughout the Commonwealth, from Highland to Henrico, Lee to Lancaster.

Virginia's 2.5-cent cigarette tax — one of the lowest anywhere — delivered \$17.5 million in 1979, roughly 30 percent of every tobacco-related state tax dollar collected. The \$62.7 million in federal cigarette excises was also about a third of all federal taxes generated by tobacco in Virginia.



Persons employed in Virginia because of tobacco earned \$1.2 billion to spend on the goods and services of other industries



## America's Golden Leaf

### A Best Seller in Virginia, the U.S. and Abroad...

America's smokers like America's tobaccos, as do smokers around the world. America's tobaccos include the fine flue-cured, burley, air-cured and sun-cured leaf grown in the Old Dominion. The four 1979 crops paid an estimated \$158 million to Virginia farmers.

In the tradition begun almost 400 years ago in Jamestown, Old Dominion leaf is enjoyed in smoking and chewing products and snuff throughout the world. It was among the \$2.2 billion worth of U.S. tobacco and tobacco products shipped overseas in 1979. These exports are more than four times greater than tobacco imports, continuing the positive effect the golden leaf has had on the country's international trade balance.

Virginia's 1979 crop entailed the service, in transfer from farm to manufacturer, of auction warehouses that accounted for \$198 million in sales. The goods of the state's 16 tobacco processors and manufacturers had sale value of \$3.4 billion. At the wholesale level,

tobacco products distributed by the 81 Virginia jobbers and chains and other intermediate suppliers were worth \$372 million. At the estimated 12,000 retail outlets, over-the-counter sales and vending operations totalled \$568 million.

Wharton estimates that 12 percent of all tobacco product sales are through vending machines.



## America's Golden Leaf

### Truly Golden!

From its germination in the deep soil of Virginia and the nation's 21 other tobacco-growing states to flavorful and aromatic products used around the globe, America's tiny tobacco seed grows through the national economy in a proportion inordinate to its size. That its estimated contribution to the Gross National Product is roughly two and a half times the net U.S. spending on tobacco products — \$21.3 billion — demonstrates the magnitude of the industry's dramatic ripple effects on the national economy.

Truly golden in every sense of the word in the Commonwealth of Virginia, America's leaf provides 90,730 jobs there, \$1.2 billion in personal compensation and, because all tobacco's core sectors operate in the Old Dominion, adds more than a quarter of a billion dollars to local, state and federal treasuries to benefit all Virginians, smokers and nonsmokers alike.



Regardless of tobacco's contributions to the national economy or that of any state, the controversy about smoking and health must be resolved by scientific research. Meanwhile, The Tobacco Institute believes that full, free and informed discussion of tobacco and its role in our economy is in the public interest.

Photo on page 16  
and farm photo on  
page 13 by Pamela  
Barefoot



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# Tobacco in Virginia

## From Farm to Factory

Virginia, where John Rolfe grew his first experimental crop of tobacco in Jamestown in 1612, today grows four types: flue-cured, used mainly in domestic blended cigarettes; burley, also a part of the American blended cigarette; fire-cured, used in snuff and chewing tobacco; and sun-cured, also used for chewing tobacco.

Today, as in colonial times, the golden leaf is a commodity of great economic, social and fiscal importance to the Old Dominion. Virginia is second only to North Carolina in value of manufactured tobacco products.

Tobacco is grown within the borders of about

half of Virginia's 95 counties and 24 independent cities. It is sold at auction warehouses in 10 southern-tier and south-central counties. Flue-cured leaf from North Carolina reaches nearby Old Dominion sales floors and some Virginia flue-cured is sold at auction in North Carolina. Some burley from Virginia finds its way to auction in North Carolina and Tennessee, and Kentucky. North Carolina, Tennessee and West Virginia send burley to Old Dominion sales floors.

Tobacco product manufacturing, which includes cigarettes and roll-your-own and smoking tobacco, is centered around Richmond and Petersburg. Processing plants, which dry, age and store the leaf before its manufacture or export, are in the major growing areas.

## Growing Through the Old Dominion Economy

A study by the University of Pennsylvania's Wharton Applied Research Center, published in 1980, examined the contributions of tobacco to

the national economy and the economies of the 50 states.

The golden leaf's economic effect on Virginia stretches far beyond the fertile fields, the auction floors and the manufacturing and processing districts, however. One Wharton finding was that 5.4 percent of private sector jobs in the Old Dominion are generated directly or indirectly by tobacco. That's the equivalent of about one in every 18 jobs of all kinds there.

An even more dramatic demonstration of the importance of tobacco in Virginia, where Richmond is called the cigarette capital of America, is that only a third of these jobs are directly related to tobacco. The rest are attributable to the multiplier, or ripple, effects of tobacco industry operations, as tobacco workers, their employers and essential suppliers spend their dollars for goods and services of other, nontobacco, companies. Thus are created more jobs, incomes and spending flows — because Virginians and persons all over the world enjoy America's tobacco.

### Paying Taxes to Benefit All Virginians

Tobacco is more heavily taxed than any consumer product, starting with the almost \$7 billion in excises pumped annually into federal, state and local coffers to help pay for everything from vocational training to public libraries.

In 1982, the U.S. Treasury received 8 cents for every pack of cigarettes sold in Virginia. That tax went to 16 cents a pack Jan. 1, 1983.

Additionally, the state receives 2.5 cents for every pack sold. And the state sales tax, as applied to cigarettes, amounts to another 3 cents per pack. Two counties and 19 cities added excises of their own which contributed \$18,575,988 to local coffers.

All jobs numbers represent full-time-equivalent employment as calculated in Wharton's one-of-a-kind industry study. The concept tends to understate the number of persons employed because some tobacco employment is seasonal, requiring part-time workers. Many individuals in distributing and retailing are also involved with products other than tobacco.

All tax data are for the year ending June 30, 1982, except average retail price and taxes as percent of pre-tax average retail price, and the state sales tax, all of which are as of Nov. 1, 1982. Wharton data are for calendar 1979. Farm data are for calendar 1982.

#### The Tobacco Institute

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### Cigarette Tax Facts 1982

Federal tax	8¢
State tax	2.5¢
Sales tax	3¢
Total taxes per pack	13.5¢

### About Virginia Tobacco 1982

Acres harvested	60,970
Flue-cured	42,000
Burley	13,600
Fire-cured	4,800
Sun-cured	570
Pounds produced	123,851,000
Flue-cured	86,310,000
Burley	31,280,000
Fire-cured	5,520,000
Sun-cured	741,000
Crop value	\$218,000,000
Tobacco farms	16,360

Sources: Wharton Applied Research Center: *A Study of the U.S. Tobacco Industry's Economic Contribution to the State, Counties, and Independent Cities of Virginia, 1979*. The Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania 19104.  
The Tobacco Institute: *The Tax Burden on Tobacco*, Vol. 17, 1982, 1875 I Street, N.W., Washington, D.C. 20006

### Tobacco's Direct and Indirect Contributions to the Economy of Virginia

#### Direct Contribution

Manufacturing	
Jobs	15,870
Wages	\$ 259,830,000
Sales	\$3,439,500,000

#### Wholesaling

Jobs	2,320
Wages	\$ 29,057,000
Sales	\$ 372,200,000

#### Retailing/vending

Jobs	2,970
Wages	\$ 30,054,000
Sales	\$ 568,000,000

#### Cigarette manufacture support industries

Jobs	1,940
Wages	\$ 31,521,000

#### Indirect Contribution

Jobs	59,700
Wages	\$ 796,834,000

#### Total Direct and Indirect

Jobs	90,730
Wages	\$1,193,237,000

### Cigarette Sales & Taxes FY 1982

Packs sold	800,100,000
State excise net collection	\$17,838,000
Est. sales taxes	\$16,000,000
Federal tax collection	\$64,008,000
Weighted avg. price per pack	68.8¢
Taxes as percent of avg. price before taxes	24%

U.S. Department of Agriculture: Economic Research Service, *Tobacco Outlook & Situation*, June 1983.  
U.S. Department of Agriculture: Statistical Reporting Service, *Crop Production 1982 Annual Summary*, January 1983.  
U.S. Department of Commerce: Bureau of Census, *1978 Census of Agriculture*, Vol. 1, Part 8, July 1981.

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